

CURRENT SITUATION -- DIVERGENT POLICIES

LEC PUBLIC PAYPHONES

TECHNOLOGY

A. GENERALLY "DUMB" PAYPHONE
THAT INTERCONNECTS VIA "COIN
LINE" FOR CENTRAL OFFICE CONTROL

1. CALL RATING
2. COIN COUNTING
3. ANSWER SUPERVISION
4. COIN SUPERVISION
5. ROUTING
 - OPERATOR TRUNKS ONLY ON
INTERLATA AND
INTERNATIONAL; TO
OPERATOR STATION ONLY
 - NO FRAUD EXPENSE

INDEPENDENT PUBLIC PAYPHONES

TECHNOLOGY

A. "SMART" PAYPHONE DRIVEN
BY ON-BOARD MICRO
PROCESSOR - INTERCONNECTED
VIA BASIC TELEPHONE LINE

1. CALL RATING
2. COIN COUNTING
3. CALL PROGRESS LINE
TRACKING
4. COIN SUPERVISION
5. ROUTING
 - FG TRUNK ROUTING
- FRAUD

DIFFERENT REGULATORY STATUS AND FORMS OF INTERCONNECTION RESULT IN DISCRIMINATION

LEC PUBLIC PAYPHONES

REGULATORY TREATMENT

- A. TERMINAL EQUIPMENT (I.E., THE PAYPHONE STATION) IN "RATE BASE" "ABOVE THE LINE"
 - 1. PHONE BUNDLED WITH UNTARIFFED COIN LINE
 - 2. TERMINAL EQUIPMENT GOES INTO SEPARATIONS FOR RECOVERY THROUGH CCL CHARGE
 - 3. EUCL GOES INTO CCL FOR RECOVERY
 - 4. NO DEMARCATION POINT -- "NETWORK" WIRE TO PHONE

INDEPENDENT PUBLIC PAYPHONES

REGULATORY TREATMENT

- A. TERMINAL EQUIPMENT IS DEREGULATED CPE
 - 1. INTERCONNECT TO BASIC SERVICE LINE AT TARIFFED RATE
 - 2. NO RATEPAYER COST
 - 3. IPP PROVIDER PAYS EUCL
 - 4. IPP PROVIDER PROVIDES INSIDE WIRE FROM DEMARCATION POINT TO IPP

LEC PUBLIC PAYPHONES

REGULATORY TREATMENT (CONT'D)

A. TERMINAL EQUIPMENT IN "RATE BASE" "ABOVE THE LINE" (CONT'D)

5. ALL COSTS THROUGH SEPARATIONS

- COMMISSIONS
- ADVERTISING
- SALES AND MARKETING
- INSTALLATION
- MAINTENANCE
- COIN COLLECTION
- BOOTHS, PEDESTALS, ETC.

INDEPENDENT PUBLIC PAYPHONES

REGULATORY TREATMENT (CONT'D)

A. TERMINAL EQUIPMENT IS DEREGULATED CPE (CONT'D)

5. IPP PROVIDER PAYS ALL COSTS

- COMMISSIONS
- ADVERTISING
- SALES AND MARKETING
- INSTALLATION
- MAINTENANCE
- COIN COLLECTION
- BOOTHS, PEDESTALS, ETC.

LEC PUBLIC PAYPHONES

REGULATORY TREATMENT (CONT'D)

B. GENERALLY A "SUBSIDIZED" AS OPPOSED TO A "CONTRIBUTING" SERVICE

1. "ALWAYS" SUBSIDIZED IF
INPUTS (I.E., DIALTONE, ETC.)
ARE PRICED AT "IMPUTED"
TARIFFED, CONTRIBUTING RATES

2. SUBSIDIZED BY THE
COMPETITION

- SUBSIDIZED "BY DEFINITION"
AT FEDERAL LEVEL

C. INSTALLED AT LEC'S DISCRETION

INDEPENDENT PUBLIC PAYPHONES

REGULATORY TREATMENT (CONT'D)

B. ALWAYS A CONTRIBUTING SERVICE

1. "INPUTS" TARIFFED AT
"CONTRIBUTING" RATE

- DIALTONE
- USAGE
- OTHER

- DTMF (TOUCH-TONE)
- SCREENING SERVICES
- BLOCKING SERVICES
- NON-RECURRING

2. "CONTRIBUTING" TO SUBSIDIZE
THE COMPETITION

C. INSTALLED AT IPP PROVIDER'S DISCRETION

PENDING PETITIONS TO EQUALIZE CONDITIONS FOR INDEPENDENT AND LEC PUBLIC PAYPHONES

**PUBLIC TELEPHONE COUNCIL, PETITION FOR DECLARATORY
RULING THAT BELL OPERATING COMPANY PAY TELEPHONES ARE
CUSTOMER PREMISES EQUIPMENT FOR REGULATORY PURPOSES**

FILED JULY 18, 1988

**AMERICAN PUBLIC COMMUNICATIONS COUNCIL, PETITION FOR
DECLARATORY RULING THAT END USER COMMON LINE CHARGES
MAY NOT BE ASSESSED ON COMPETITIVE PUBLIC TELEPHONES**

FILED APRIL 21, 1989

CONGRESS HAS ADMONISHED THE FCC TO REVIEW THE ISSUES

- **1990 SENATE COMMITTEE REPORT ON TOCSIA**

**". . . THE COMMITTEE BELIEVES THE FCC SHOULD
ADDRESS THESE [THE 1988 PTC PETITION AND THE
1989 APCC PETITION] PROMPTLY."**

- **1994 SENATE COMMITTEE REPORT ON S.1822**

**". . . A PETITION REQUESTING THE FCC TO ADDRESS
THESE ISSUES HAS BEEN PENDING FOR 6 YEARS. SECTION
235 IS INTENDED TO ENSURE THAT THESE LONGSTANDING
PROBLEMS ARE ADDRESSED."**

REDEFINING LEC PAYPHONES TO ESTABLISH A UNIFORM PAYPHONE POLICY

1.BASIS

A. FCC'S COMPUTER II POLICY

- 1. DEREGULATED ALL CPE**
- 2. REMOVED CPE FROM REGULATED CARRIER ACCOUNTS**
- 3. REQUIRED UNBUNDLING OF CPE FROM NETWORK SERVICE**

B. FCC EXEMPTED PAYPHONES

- 1. TECHNOLOGICAL REASONS**
- 2. NO COMPETITION AT THE TIME**

II. HOW CPE POLICY WOULD APPLY TO LEC PAYPHONES

A. ELEMENTS OF CPE POLICY

1. LEC PAYPHONES WILL BE DEFINED AS DEREGULATED CPE

A. LEC PAYPHONE COSTS WILL BE REMOVED FROM THE EXCHANGE SERVICE RATE BASE AND REVENUE REQUIREMENT

B. LEC PAYPHONE OPERATIONS WILL BECOME A SEPARATE ACCOUNTING ENTITY (WHICH SHOULD BE A SEPARATE SUBSIDIARY)

C. DETAILS IN ISSUE PAPER

2. LEC PAYPHONES WILL BE OPERATED LIKE INDEPENDENT PAYPHONES

A. "LEC PAYPHONE COMPANY" WILL HAVE "SUBSCRIBER" RELATIONSHIP TO "LEC"

B. ALL NETWORK SERVICES OBTAINED FROM LEC WILL BE OBTAINED AT TARIFFED RATES

C. COIN PAYPHONE SERVICE TO END USERS WILL BE PROVIDED ON A "RESALE" BASIS

3. LEC EXCHANGE NETWORK OPERATION MAY NOT DISCRIMINATE BETWEEN LEC PAYPHONES AND INDEPENDENT PAYPHONES IN RATES, INTERCONNECTION OR OTHER PRACTICES

4. ANY COMPENSATION PAID FROM LECs' REGULATED REVENUES IN RETURN FOR DELIVERING PAYPHONE TRAFFIC WILL BE AVAILABLE ON A NONDISCRIMINATORY BASIS TO LEC AND INDEPENDENT PAYPHONE OPERATIONS

B. REGULATORY STATUS

1. LEC PAYPHONES WILL HAVE THE SAME REGULATORY STATUS AS INDEPENDENT PAYPHONES
2. PAYPHONE RATES AND SERVICE TO END USERS CAN REMAIN REGULATED BY STATES -- BUT REGULATION WILL BE THE SAME FOR LEC AND INDEPENDENT PAYPHONES
3. AT THE FEDERAL LEVEL, THE FCC WILL DETERMINE WHETHER AND HOW ALL PAYPHONE OPERATIONS WILL BE FUNDED FROM INTERSTATE ACCESS CHARGES, AS WELL AS DETERMINING THE COMPENSATION FOR "DIAL-AROUND" INTERSTATE CALLS (SEE III.F. BELOW)

C. INTERCONNECTION

1. LEC PAYPHONES CAN CONTINUE TO USE "COIN LINE" FUNCTIONS (E.G., ANSWER SUPERVISION, CENTRAL-OFFICE COIN CONTROL), BUT THE FUNCTIONS WILL BE UNBUNDLED, TARIFFED, AND MADE AVAILABLE TO INDEPENDENT PAYPHONES AS WELL IN ACCORDANCE WITH ESTABLISHED ONA/CEI PRINCIPLES
2. THIS ALLOWS INNOVATIVE COMBINATIONS OF CO- AND CPE-BASED SERVICES

III. ONE POLICY FOR ALL PAYPHONES

- A. SAME CHARGES FOR DIAL TONE, NETWORK USAGE AND OTHER LEC SERVICES WILL APPLY TO LEC AND INDEPENDENT PUBLIC PAYPHONES (OR, NO CHARGE APPLIES TO EITHER LEC OR IPP)**
 - 1. AT FEDERAL LEVEL, SAME END USER CHARGE WILL APPLY TO LEC AND INDEPENDENT PUBLIC PAYPHONES**
- B. CHARGES FOR DIAL TONE, USAGE, ETC. WILL BE SET BASED ON COST AND BASED ON REGULATORS' DETERMINATIONS AS TO WHETHER PAYPHONES SHOULD BE A "CONTRIBUTORY," "SUBSIDIZED," OR "BREAK-EVEN" SERVICE**
 - 1. REGULATORS MAY MAKE POLICY CHOICE FOR RELATIVELY INEXPENSIVE, WIDELY AVAILABLE PAYPHONE SERVICE, WHICH MAY REQUIRE A SUBSIDY**
 - 2. REGULATORS MAY DECIDE THAT PAYPHONES SHOULD "PAY THEIR OWN WAY," EVEN IF THE RESULT IS MORE EXPENSIVE OR LESS WIDELY AVAILABLE PAYPHONE SERVICE**
 - 3. EITHER WAY, A SINGLE POLICY CHOICE FOR ALL COMPETITORS WILL RESULT IN EQUAL NETWORK CHARGES FOR ALL COMPETITORS**
- C. SAME OBLIGATIONS TO OFFER "PUBLIC SERVICE" PAYPHONES APPLY TO LEC AND INDEPENDENT PUBLIC PAYPHONES**

- D. SAME LEC COIN FUNCTIONS ARE AVAILABLE, ON UNBUNDLED BASIS, AT SAME CHARGE, TO LEC AND INDEPENDENT PUBLIC PAYPHONES
- E. SIMILARLY, SAME FRAUD PROTECTION FUNCTIONS -- INCLUDING ANY LIMITATIONS ON LIABILITY -- APPLY TO LEC AND INDEPENDENT PUBLIC PAYPHONES
- F. SAME COMPENSATION POLICY APPLIES TO LEC AND INDEPENDENT PUBLIC PAYPHONES
 - 1. IF FCC DETERMINES THAT LEC PAYPHONES SHOULD CONTINUE TO BE FUNDED IN PART THROUGH ACCESS CHARGES, AS THEY ARE TODAY, THEN INDEPENDENT PUBLIC PAYPHONES ALSO WOULD BE FUNDED AT AN EQUIVALENT COMPENSATION RATE
 - 2. IF FCC DETERMINES THAT THE ONLY MANDATORY INTERSTATE COMPENSATION TO PAYPHONE PROVIDERS SHOULD BE THE PAYMENT FOR "DIAL-AROUND" CALLS, THEN THAT PAYMENT WILL APPLY EQUALLY TO LEC AND INDEPENDENT PUBLIC PAYPHONES

CONSUMER PROTECTION ISSUES

BLOCKING

- **TOCSIA RULES NOW REQUIRE UNBLOCKING OF ALL ACCESS CODES**
- **BLOCKING APPEARS TO HAVE SUBSTANTIALLY DECLINED POST-TOCSIA**
- **APCC IS ACTIVELY PROMOTING UNBLOCKING**
- **APCC IS PLANNING SELF-ENFORCEMENT PROGRAM**

RATES

- **ORIGINS OF PROBLEM: STRUCTURAL IMBALANCES IN INDUSTRY**
- **SOME INDUSTRY PARTICIPANTS ARE EXPLOITING SHORT-TERM OPPORTUNITIES TO "GOUGE" CUSTOMERS**
- **MANY STATES NOW HAVE CAPS**
- **FCC'S 1991-92 TOCSIA INVESTIGATIONS GENERATED "INFORMAL" CAP OF \$6.58 FOR 8-MINUTE OPERATOR ASSISTED CALL**

**RATE CEILING PROPOSAL
CC DOCKET No. 92-77
DA 95-473
MARCH 13, 1995**

**PROPOSAL FOR CEILINGS ON INTERSTATE 0+/0- RATES WAS
SUBMITTED BY:**

**APCC
COMPTel
BELL ATLANTIC, BELL SOUTH, NYNEX, U S WEST
MFS, TELEPORT**

AT&T ALSO SUPPORTS THE CONCEPT

**RATE CEILING PLAN IS PROPOSED AS AN ALTERNATIVE TO "BILLED
PARTY PREFERENCE" (BPP)**

FCC WOULD SET RATE BENCHMARKS

**OSPs EXCEEDING BENCHMARKS WOULD BE SUBJECT TO DOMINANT
CARRIER STYLE RATE REGULATION (LONGER NOTICE, COST
JUSTIFICATION, ETC.)**

**LECS WOULD MONITOR AND REPORT BILLING OF RATES ABOVE
BENCHMARKS**

**FCC HAS REQUESTED COMMENT ON THIS AND ANOTHER PROPOSAL BY
THE NATIONAL ASSOCIATION OF ATTORNEYS GENERAL**